

US House of Representatives, Committee on Natural Resources

Montana Governor Brian Schweitzer

February 28, 2007

Chairman Rahall and Ranking Member Young—a very sincere thanks for inviting me to address this committee, and allowing me the opportunity to share my experiences as the Governor of Montana with all of you.

President Theodore Roosevelt understood 100 years ago that the greatest legacy we can grant to the next generation is clean water, clean air, and open spaces. Democrats and Republicans alike can agree that conserving the landscape for the next generation is an American value, not a political value.

Two and a half years ago, my good friend Lieutenant Governor John Bohlinger and I took a proposition to the people of Montana. We simply asked if they were ready to accept a Republican and a Democrat working together in the executive branch. Enough people agreed with us, and gave us the opportunity. I continue to be grateful. If I can tell you one thing after serving the people of Montana for just over two years now, it is that they want to see Republicans and Democrats working together.

When Lewis and Clark arrived in Montana and began to describe what they saw, they spoke of a wondrous landscape defined by wide rivers, endless prairies, and stunning mountains. They described the wildlife, the fisheries, and the first Montanans—the Crow, the Assiniboine, the Blackfeet, and the Salish. They found that the first Montanans, these people of the Great Plains who had lived sustainably on this land for 10,000 years, as part of their tradition always considered the future impacts of decisions made today. As a matter of course, each decision made by tribal elders weighed the consequences out to the seventh generation.

The settlers—the miners, the loggers, and the homesteaders like my four grandparents—arrived with nothing but the clothes on their back, high hopes, and faith in God. They plowed the sweat of their brow, the skin from their work-torn hands, and their very souls into the land with the hope that they would create new opportunities for their children and grandchildren.

I mention this because I think we all appreciate the importance of bearing witness to the landscape and legacy we have inherited from all of our ancestors. We know we must be vigilant about leaving enhanced opportunities for future generations.

To that end, I would like to share what we have been able to do in Montana to create both an economic and environmental legacy. During the past 24 months, we've created more than 24,000 jobs. Our unemployment rate is the lowest in

history, at 2.8 percent. More people are working in Montana than at any other time in our state's history—and they are working for more money. Average wages in Montana are increasing at a faster rate than in most of the rest of the country. Our emerging economic development is in part a result of pounding the pavement across the country to promote our state as a great place to raise a family and to do business.

When miners first came to Montana, their goal was to find as much metal as they could, and then go back to where they came from. The same was true of the cattle barons. They had no intention of moving to Montana, or of living in Montana. They wanted to get as much grass as they could get in a short period of time, make their herds fat, and leave. So of course they made environmental mistakes. Those of us in the natural resource business—farmers, ranchers, loggers, miners and drillers for oil and gas—realize that we're still living with some of them today.

Some ask, "Why should anybody outside Montana care what was done in your mines and forests 50 or 100 years ago? I explain to them that in Montana we have large mountain ranges that every year capture snow. It's a renewable project. That snow turns into the snowmelt that supplies water to much of the rest of the country. In fact, 50 % of the water stored in the Columbia River Basin system comes from Montana. Seventy percent of the water in the Missouri River comes from Montana snow. You may be interested to know that Montana is the only place in the US where water flows to three different oceans—the Atlantic, the Pacific, and the Arctic.

The people from 27 states around the country who drink this water have a dog in this hunt—and when we get it right at the continental divide, we protect your watershed, and the watershed of your grandchildren, and that of your grandchildren's grandchildren.

I've been to 30-some countries around the world, and since I come from the natural resource business, I've noticed that others have actually been making mistakes much longer than we have in the U.S. We've only been around a couple hundred years. In Asia, Africa, and Central Europe you'll find mistakes much larger than ours—that went on for many more years—with more people living in closer proximity.

As you may know, decades of historic mining and smelting in the Butte and Anaconda areas, most notably by the Anaconda Company, have greatly harmed the resources of the Clark Fork River Basin and have deprived Montanans of their full use for a century. We are well on our way to restoring the Clark Fork—one of the largest Superfund sites in America—and it has been good business: good jobs with a great product.

In restoring the mistakes of the past, there is another benefit. We develop the technologies of the future. This too is good business. As we develop these

technologies, we are increasing the opportunities for exporting them to the rest of the world. At the end of the day, we may spend as much money restoring some of our hard rock mines as we received from the metals we extracted from those mines 100 years ago. Congress must be involved by providing dollars for Superfund, abandoned mine lands, and other reclamation.

We need to continue to challenge ourselves to get it right, because we're going to continue to develop our resources in Montana. We have world class ore bodies, and we will continue to be in the mining business. But we will get it right. Before we start, we will make sure mines can be properly reclaimed, and we will have adequate bonding in place to make sure the restoration occurs.

As Montanans roll up their sleeves and find practical solutions, they are creating a budding restoration economy. Recently, conservation groups and timber companies agreed to a comprehensive strategy for the Beaverhead-Deerlodge National Forest, which focuses on stewardship and restoration forestry, and includes new Wilderness designation and sustainable timber management. Their vision is for a working forest that sustains not only the economy and livelihood of the region, but also the world class fishing, hunting, and other recreational opportunities of the area. This effort is a significant step forward in moving beyond today's forest gridlock. Remarkable things can happen when people actually talk to, and get to know, one another—and it's a phenomenon that is taking place in Montana and across much of the West.

Let's look to the future as it concerns energy. I have been very aggressive in positioning the state to capitalize on emerging energy markets. Montana and many parts of the West are uniquely positioned to deliver not only renewables like bio-fuels, but also wind power. Montana has some of the most robust wind potential in America, but only in the last two years has significant development occurred. Over \$300 million has been invested already, but in just the projects now proposed, there will be another billion dollars invested in the next few years.

We must make wind power a more significant part of our portfolio in this country, but it's impossible to use wind power unless we have redundant transmission capacity. Without it, we won't be able to use wind power much beyond 15% of our portfolio.

During the last two years Montana has completed and announced an array of energy projects, from wind farms to refinery upgrades to interstate transmission projects to coal gasification and liquefaction plants. We also have a strong oil industry. Montana was one of only two states in the nation to appreciably increase its oil production, and we will increase it again this year.

I hope this domestic oil prosperity continues, but it is our nation's dependence on foreign oil that ensures we will be involved for a long time not only in the Middle East, but also in unstable places like Venezuela, Nigeria, and Angola. Our addiction demands that we continue to send our soldiers—and their children, and

their grandchildren—into harm's way, to ensure that we have boots on the ground for the protection of our strategic interests.

Americans use 6.5 billion barrels of oil each year. We only produce 2.5 billion barrels ourselves. We import 4 billion from some of the world's most unstable regions. America needs a plan to get out of this mess.

We can save 1 billion barrels of oil a year through conservation—things like more efficient cars, homes, businesses, and appliances. We've done this before. We reduced our energy use by a similar percentage during the oil crisis of the late 1970's, when President Carter asked us to sacrifice. During the period from 1975 to 1983, we decreased our consumption of oil by 17%, while we grew our economy by 27%. Through informed consumers and the use of existing technology, we can do it again. That leaves us with a 3 billion barrel a year deficit to conquer.

Another part of the solution is biofuels. A year ago, in his State of the Union address, President Bush recognized our addiction to oil. In his address to the nation just a few weeks ago, he talked about conservation and alternative fuels, and of setting a goal of producing 35 billion gallons of ethanol by 2017. That's almost a billion barrels—about 15% of our entire annual consumption of petroleum. I'm an agronomist by training, so over the last few years I've been crunching the numbers on biofuels.

I do think we can produce a billion barrels of biofuels, but they won't be just ethanol. Some of the biofuels we produce will be biodiesel from crops like canola, safflower, soybeans, and camelina, which is my personal favorite, because it is particularly well-suited to Montana's arid climate. And the net energy ratio of biodiesel is more favorable than with ethanol.

So after we produce a billion barrels a year of biofuels and add it to the billion barrels gained through conservation, our 4 billion barrel oil deficit has been reduced to 2 billion barrels a year.

What do we do to cover that remaining 2 billion barrels? In Montana we have a lot of coal—as much as 120 billion tons of it. That is 28% of the nation's reserves, and 8% of the world's coal, just in Montana. It is located close to the surface, and it represents some of the least expensive BTU's available in the world. Over a year ago representatives from Sasol, the South African coal liquefaction giant, came to visit. We toured Montana's coal country.

On maps and from the air, I was able to show them our resources and infrastructure: our three varieties of coal; oil and gas resources; oil shale; railroads; transmission lines; pipelines, and so on. Especially notable were the two significant oil fields in Montana, where they eagerly await carbon dioxide for enhanced oil recovery. As I told Sasol about our great work force and our work ethic, and pointed out the distant towns and trade centers from the air, I mentioned that a facility built in this part of Montana is a very safe asset—we don't have hurricanes or major tornadoes or earthquakes. That was in August,

just before Hurricane Katrina hit and reminded us all of the importance of safe geography.

I informed Sasol that Montana has the greatest crack spread for fuels. All three of the oil refineries in Billings, Montana are some of the most profitable in the country for their parent companies, because the value of the crude oil they buy is low and the value of the refined product is high.

When I began to talk about the numbers related to coal, these representatives thought I was off by a factor of ten. I then repeated that the lignite was indeed worth about 18 cents a ton in the ground, and about \$4.50 a ton mined. They didn't seem convinced, but then we flew down to Colstrip, Montana. It really is one of the most impressive coal developments in the world. And they were impressed. We landed and showed them the value of this sub bituminous coal, the way we mine it, the way we reclaim it, and the four coal-fired plants where we generate electricity, mostly for export from the state. Sasol became intrigued.

Since then, plants have been announced. At the Bull Mountain Mine near Roundup, Montana, a partnership involving Arch Coal, the 2nd largest coal company in America, has said they are going to develop a 300 megawatt IGCC power plant and a 20,000 barrel a day coal-to-diesel plant. It will be a \$2 billion project. Peabody Energy, the world's largest private coal company, and the technology company Rentech have agreed to move forward to assess the feasibility of a coal-to-liquids facility at the Big Sky Mine near Colstrip.

But America is not going to develop coal in Montana or in other parts of the country if we continue the ways of the past. Development of coal the way we have in the past simply won't be financable in the future. That is because, as a nation, we are finally coming to grips with the risks of climate change.

We need to use better ways of extracting energy from coal, and put the carbon back into the earth where it came from. To do so, we need to perfect geologic sequestration of carbon dioxide. We must identify geologic structures where we can store great quantities of carbon dioxide. In Montana, we have what we call the Big Sky Sequestration Partnership at Montana State University, working with the Department of Energy. We have identified some of these geologic zones, but there is much more work to be done. We need measuring devices and monitoring protocols, and we need to work out liability provisions. We clearly cannot be doing this haphazardly.

Back to our 4 billion barrel oil deficit. A billion barrels a year can be met through conservation and efficiency, and another billion from biofuels. It is my hope that Americans can produce the final 2 billion barrels a year from our enormous coal reserves—developing a clean-burning fuel for about \$1.20 a gallon. We could do this, and over the next thirty years only touch a small fraction of our domestic coal reserves.

Montana can and will lead the way in producing clean and green energy for the entire county with wind power, biofuels, and fuels from coal. With respect to energy in the West, California has led the way by challenging their utilities not to purchase electricity that increases the amount of carbon dioxide in the atmosphere. Montana will respond. We will sell electricity to the California market using power from wind and coal gasification with sequestration. We will continue to promote the development of these resources in Montana through a host of incentives, and we will export these technologies as well.

Regular Montanans are appreciating the benefits of our economic growth, but Wall Street is paying attention too. For the first time in 26 years, the state's bond rating was recently upgraded by Moody's Investment Services.

I am proud of the progress, but cognizant of the impacts as well. While the wages for our workers are increasing, so is the price of real estate. Growth will continue to put pressure on our recreational amenities and access to our public lands and rivers and streams. Montana is unique in the Rocky Mountains in that its citizens have a constitutional right to access our streams. That is why, for this generation and the next, I have proposed \$15 million for purchase of more access sites on our rivers and streams and public lands, and more state parks.

I know you want the nation to keep up. Funding for the management of America's national forests, national parks, and federal natural resource agencies is critical—and they too have cleanup responsibilities. The Mike Horse Mine in the headwaters of the fabled Blackfoot River resides on national forest property. We want to ensure that it is never again the source of annihilation for the fishery that inspired Norman Maclean's "A River Runs Through It."

When many of our ancestors arrived in the West, they sought the treasure within its mountains and streams. Today we realize that the real treasure is actually the mountains and streams themselves. These are the reasons people choose to live in Montana and throughout the West, and they are driving a good portion of the West's economy today.

This hearing is about the Evolving West. I'm here to tell you that the Evolving West is about making the most with what we are given. It is about finding the opportunities in change and capitalizing on those opportunities in a way that sustains a quality of life for this and future generations. I can wake up each morning and fight the old, tired battles defined by the Lords of Yesteryear, or I can appreciate God's bounty and find opportunities where we don't take from one generation to provide for another.

If I can share anything with you as you embark on making policy that affects my state and others it is this: Choose a different path. Choose a path that brings together Republicans and Democrats in a way that leaves an improved environmental legacy while providing for quality jobs and fuller lives today and tomorrow. It can be done. Watch Montana.

